NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/15):
BUTTER: Grade AA closed at $1.7275. The weekly average for Grade AA is $1.6842 (-.0041).
CHEESE: Barrels closed at $1.4875 and blocks at $1.5200. The weekly average for barrels is $1.4005 (-.0250) and blocks, $1.4545 (-.0270).
NONFAT DRY MILK: Extra Grade closed at $0.8500 and Grade A at $0.8500. The weekly average for both Extra Grade and Grade A is $0.8500 (N.C.).

BUTTER: The butter market is unsettled. Following consecutive days of declines last week, the cash price has increased this week. Churning activity across the country is dependent on cream availability. In most instances, cream offerings are available from local sources, with outside offerings lighter than recent weeks. Class II cream based holiday product production is gaining momentum, thus tightening cream offerings for butter producers. Stocks of butter are more than 50% lighter than this time of the fall in 2002 and 2003. Butter orders for upcoming holiday needs are developing quite strongly. Order dates for Thanksgiving needs are becoming much more time sensitive. Retail feature activity during the yearend holidays will be occurring, although producers, handlers, and retailers indicate that features will be less aggressive versus previous years.

CHEESE: The cheese market is firming as prices at the CME have rebounded this week. Cheese demand was improved as buyers try to take advantage of the lower prices (most sales are based on the previous week's CME average). Cheese production is steady in the West where surplus milk volumes are heaviest; light to moderate in the Midwest and East where surplus milk supplies are reported as light.

FLUID MILK: The Southeast continues to feel the aftermath of a rough hurricane season. The total damage to animals in Florida is not known for certain, but over 500 dairy animals were lost. The milk output impact is noted yet in lower production. Imported milk loads to supplement Florida's needs totaled 253 this week, compared to 181 loads last year. Milk output is steady in the Middle Atlantic region, increasing slightly in the Mid-South, and slightly lower towards the seasonal low in the Northeast. Output in the Central U.S. is steady to declining slightly with milk supplies sufficient for processors' needs. The Southwest continues to see milk production levels well above a year ago due to better conditions and more cows. Steady milk supplies are reported in the Northwest. Fluid cream markets are unsettled to weaker following gyrations in the cash butter prices. Supplies are adequate for seasonal cream cheese and sour cream accounts with a good draw from churners.

DRY PRODUCTS: The nonfat dry milk markets are showing little changes in pricing and tone across the country. Offerings are available from all regions and excess NDM continues to clear to the CCC support program. Direct exporting continues, although the trade is nearing the end of export contracts through the CCC. Buttermilk prices are steady to weaker and not fully tested. Sales activity remains slow, especially on the spot market. Buyers continue to look for lower priced alternatives, while contract buyers are paying formula prices. The whey market prices are moving higher and reflect producers' inventories being in better balance over the last month. Export and contracts sales have helped clear stocks and anticipated price changes have motivated buyers. Whey protein concentrate prices are unchanged and the market tone is steady. Trades are occurring at both premiums and discounts. Imported WPC is also being offered. Demand is improving from domestic and export accounts. Prices for lactose moved lower and reflect a weaker tone. Supplies are available for all current spot and contract needs with discounts being offered to move surpluses. Contract negotiations are slower than anticipated.

CCC: For the week of October 11 - 15, CCC net purchases total 4,545,058 pounds of NDM from the West. There were no offers under invitation 080 to Announcement FMP1.

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB): The milk production forecast for 2003/04 is raised due to a slightly larger cow herd and increased milk per cow. The forecast for 2004/05 is increased because the cow herd is expected to be larger than forecast last month. Milk per cow is unchanged from last month as recent gains in growth are expected to be constrained by continued limitations in rBST supplies during 2004/05. Milk price forecasts for 2003/04 are little changed from last month. Milk price forecasts for 2004/05 are slightly higher than last month as demand for milkfat is expected to remain relatively strong. Cheese and butter prices are expected to be higher, resulting in increased forecasts for Class III and Class IV milk compared with last month. The all milk price is raised to $13.35 - $14.15 for 2004/05. The annual production estimate for calendar year 2005 is projected at 173.6 billion pounds, up 1.6% from the 2004 projected estimate of 170.9 billion pounds, and would be 1.8% higher than the 2003 yearly total of 170.3 billion pounds.

JULY MAILBOX MILK PRICES (DAIRY PROGRAMS & CDFA): In July 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged $16.32, $1.94 less than the revised figure for the previous month. The component tests of producer milk in July 2004 were: butterfat, 3.56%; protein, 2.95%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, and ranged from $20.47 in Florida to $14.46 in New Mexico. In July 2003, the Federal milk order all-area average mailbox price was $11.74, $4.58 lower.

******SPECIAL THIS ISSUE******

CHICAGO MERCANTILE EXCHANGE
CASH TRADING

PRODUCT	MONDAY OCTOBER 11	TUESDAY OCTOBER 12	WEDNESDAY OCTOBER 13	THURSDAY OCTOBER 14	FRIDAY OCTOBER 15	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	$1.3150 (N.C.)	$1.3150 (N.C.)	$1.4375 (+.1225)	$1.4475 (+.0100)	$1.4875 (+.0400)	(+.1725)	$1.4005 (-.0250)
40# BLOCKS	$1.3725 (N.C.)	$1.4000 (+.0275)	$1.4700 (+.0700)	$1.5100 (+.0400)	$1.5200 (+.0100)	(+.1475)	$1.4545 (-.0270)
NONFAT DRY MILK							
EXTRA GRADE	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	(N.C.)	$.8500 (N.C.)
GRADE A	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	(N.C.)	$.8500 (N.C.)
BUTTER							
GRADE AA	$1.6400 (+.0350)	----	$1.6850 (+.0450)	-----	$1.7275 (+.0425)	(+.1225)	$1.6842 (-.0041)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, OCTOBER 11, 2004

CHEESE -- SALES: 1 CAR 40# BLOCKS @ $1.3700; BIDS UNFILLED: 1 CAR 40# BLOCKS @ $1.3725; OFFERS UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
BUTTER -- SALES: 3 CARS GRADE AA: 1 @ $1.6050, 1 @ $1.6150, 1 @ $1.6500; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ $1.6075, 1 @ $1.6000; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ $1.6400, 1 @ $1.6500, 1 @ $1.6600

TUESDAY, OCTOBER 12, 2004

CHEESE -- SALES: NONE; BIDS UNFILLED: 2 CARS 40# BLOCKS: 1 @ $1.4000, 1 @ $1.3975; OFFERS UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, OCTOBER 13, 2004

CHEESE -- SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 1 @ $1.4375, 1 @ $1.3750, 1 @ $1.3650, 1 @ $1.3500; 2 CARS 40# BLOCKS: 1 @ $1.4700, 1 @ $1.4500; OFFERS UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
BUTTER -- SALES: 19 CARS GRADE AA: 1 @ $1.6625, 2 @ $1.6900, 1 @ $1.7000, 7 @ $1.6900, 1 @ $1.6850, 1 @ $1.6825, 2 @ $1.6800, 1 @ $1.6775, 1 @ $1.6750, 1 @ $1.6800, 1 @ $1.6850; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ $1.6650, 2 @ $1.6625, 1 @ $1.6450; OFFERS UNCOVERED: 10 CARS GRADE AA: 1 @ $1.6850, 9 @ $1.7000

THURSDAY, OCTOBER 14, 2004

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ $1.4475; 1 CAR 40# BLOCKS @ $1.5100; OFFERS UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, OCTOBER 15, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ $1.5100; BIDS UNFILLED: 2 CARS BARRELS: 1 @ $1.4875, 1 @ $1.4575; 1 CAR 40# BLOCKS @ $1.5200; OFFERS UNCOVERED: NONE
NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
BUTTER — SALES: 16 CARS GRADE AA: 3 @ $1.6875, 2 @ $1.6900, 2 @ $1.7200, 1 @ $1.7100, 1 @ $1.7150, 2 @ $1.7175, 2 @ $1.7200, 1 @ $1.7225, 1 @ $1.7250, 1 @ $1.7275; BIDS UNFILLED: 12 CARS GRADE AA: 2 @ $1.7125, 4 @ $1.7100, 2 @ $1.7000, 3 @ $1.6875, 1 @ $1.6850; OFFERS UNCOVERED: 2 CARS GRADE AA @ $1.7300

BUTTER MARKETS

NORTHEAST

The market tone remains unsettled. The cash butter price declined significantly (16.5 cents) last week, but did rebound slightly during Monday's (10/11) trading. Some contacts felt that the drop in price was due more to covering futures positions than actual supply/demand relationships. However, others feel that the lower prices could well spark a little more buying activity from retailers before prices rebound. Churning activity in the East is light to moderate. Some producers continue to microfix a good portion of their packaged butter orders. Retail sales are reported as mostly steady. Food service orders are mostly steady. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

Butter markets are unsettled as the cash price at the CME rebounds from recent declines. Producers and handlers are basically scratching their heads and trying to formulate a production and marketing strategy during these unsettled price situations. Churning activity was on the cautious side last week as the cash price declined, but now is more aggressive. Butter producers indicate that cream supplies are available from local sources, with minimal volumes entering the area from outside sources. Stocks of butter remain lighter than desired. Current sales activity is fair for short term needs with upcoming holiday orders developing quite well. Some retailers are preparing for holiday feature activity, but suppliers and handlers feel that feature activity might not be as prevalent during the upcoming holidays as in years past. Butter producers and handlers state that the Thanksgiving holiday is just a month away, thus Thanksgiving orders have been placed and basically shipped to distribution centers already. Food service orders are also developing quite well, typical during heavier shopping patterns and holiday parties. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Pricing signals from the cash CME butter market continue to confuse Western contacts. As recently as September 29, prices were as high as $1.8150 and they closed on October 8, at $1.6050. This week through October 13, they have regained another 8 cents. Some of the earlier weakness is being blamed on the price declines recorded at the cash CME cheese market over the same period of time. Butter fundamentals still seem to be in relatively good shape. More cream is becoming available, but some manufacturers are having trouble meeting shipping dates. Order dates for Thanksgiving needs are becoming much more time sensitive. Capacity issues for printing machines are a factor in order taking. CME weekly butter warehouse totals declined by 4.4 million pounds this past week to stand at 56.7 million pounds. The comparable figure for this week in 2003 was 130.3 million pounds and 2002 was 118.9 million pounds. Bulk butter prices range from 2 to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
OCTOBER 9	1.5603	1.5185	0.8612	1.7489	0.2201
	7,951,254	10,270,407	20,893,857	3,887,839	10,882,832

Further data and revisions may be found on the internet at: http://jan.mannlib.cornell.edu/reports/nassr/price/dairy

CHEESE MARKETS

NORTHEAST

Prices are mostly lower following the declines in both blocks and barrels at last week's CME trading sessions. The market tone is unsettled. Cheese output in the Northeast is lighter than expected due to the relatively tight supply of surplus milk. However, with cheese prices falling, some producers, if they can get the milk, are showing more interest in making more cheddar and other varieties. Most producers expect the cheese prices to rebound in the near future. Wholesalers and retailers are starting to show more interest now that prices are lower. Most are already planning for Thanksgiving needs and more are also thinking about the year-end holiday needs. Current retail sales are still lackluster, unless featured. Food service orders are mostly steady.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5500-2.0650
Cheddar Single Daisies	:	1.5075-1.9825
Cheddar 40# Block	:	1.6225-1.8825
Process 5# Loaf	:	1.6350-1.8425
Process 5# Sliced	:	1.6550-1.8950
Muenster	:	1.7225-1.9250
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is about steady despite the recent price flucutations. The continuing saga over the barrel/block spread continues though the 15.25-cent gap on October 1 has narrowed to more traditional levels early last week, but has again widened to 8.5 cents on October 12. Reportedly, the drop in prices did spark some improved buying interest, but some buyers continue to wait to see if this week's CME average price declines farther. Current cheese interest is steady to somewhat improved. Current supplies are adequate and lead times are about normal. Surplus milk supplies remain relatively tight and cheese output is mixed.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6050-2.0000
Brick And/Or Muenster 5#	:	1.9800-2.1375
Cheddar 40# Block	:	1.8350-2.2650
Monterey Jack 10#	:	1.8600-2.2650
Blue 5#	:	2.3275-2.7000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7800-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4475-2.9500

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
10/11/04	32,583	:	130,814
10/01/04	34,271	:	131,981
CHANGE	-1,688	:	-1,167
% CHANGE	-5	:	-1

WEST

Process and natural prices moved sharply lower following trading at the cash CME market last week. Block prices had been as high as $1.5850 on October 1, but closed at $1.3725 on October 8. This week block prices have regained another 9 3/4 cents. Also, the barrel/block spread is in a much more reasonable relationship. Cheese offerings are increasing and demand is fair at best. Milk supplies are on the high side of early estimates. Buying interest has increased as prices have fallen. Supplies of aged cheese remain tight and expensive. Current offerings of mozzarella are moving well. Swiss sales activity for fall needs is at anticipated volumes.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5775-1.8375
Cheddar 40# Block	:	1.6000-1.9525
Cheddar 10# Cuts	:	1.7800-2.0000
Monterey Jack 10#	:	1.7900-1.9500
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are mixed. Some increases were reported on imported varieties while domestic style prices declined significantly. The market tone is mostly steady. Demand ranges from fair to occasionally improved. Supplies are adequate to meet current needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	:	NEW YORK		
VARIETY	:	IMPORTED	:	DOMESTIC
Roquefort	:	TFEWR	:	-0-
Blue	:	2.6400-4.2900*	:	1.8450-3.3350*
Gorgonzola	:	3.6900-5.9400	:	2.3500-2.4900*
Parmesan (Italy)	:	TFEWR	:	3.2550-3.3650*
Romano (Italy)	:	2.1000-3.1500	:	-0-
Provolone (Italy)	:	3.4400-5.6900*	:	1.8575-2.0800*
Romano (Cows Milk)	:	-0-	:	3.0400-5.2150*
Sardo Romano (Argentine)	:	2.8500-3.2900	:	-0-
Reggianito (Argentine)	:	2.6900-3.2900	:	-0-
Jarlsberg-(Brand)	:	2.9500-4.0900	:	-0-
Swiss Cuts Switzerland	:	-0-	:	2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500	:	-0-
Swiss Cuts Austrian	:	TFEWR	:	-0-
Edam	:		:	
2 Pound	:	TFEWR	:	-0-
4 Pound	:	2.1900-3.4500	:	-0-
Gouda, Large	:	TFEWR	:	-0-
Gouda, Baby ($/Dozen)	:		:	
10 Ounce	:	27.8000-31.7000	:	-0-

* = Price change.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	253	0	241	0	181	0
SOUTHEAST STATES	12	0	23	0	40	0

Milk production in the Northeast continues to ease lower and is approaching the typical low point in its annual cycle. Historically, November marks the low point in milk output in most Northern states. Farther south, milk output is steady in the Middle Atlantic area and increasing slightly in the Mid-South. The milk flow along the Gulf Coast is slow to rebound from the effects of the hurricanes. Contacts report that the milk flow is starting to increase, but not at the rates anticipated. Milk production in Florida and other hurricane impacted areas is expected to be below anticipated levels due to the loss of cows and the effects of missed milkings during periods of power outages. The number of cows and the volumes of milk lost due to the storms are not totally known at this time, but estimates peg cow/heifer/calf deaths at more than 500 animals. Bottled milk sales are getting back to normal and the call for milk for bottling is easing now that retail channels are getting back to near-normal levels. In the Northeast, bottled milk sales are about steady, but milk suppliers continue to report that milk is clearing to the Southeast to meet their needs. Surplus milk volumes are lighter than expected in most parts of the East. Plants that were burdened with milk a month or so ago now have ample time to process their receipts. Some balancing plant contacts indicate that scheduling is more of an issue now that their intakes are so spotty. The condensed skim market is little changed from past weeks, but prices have moved a little higher on Class III. However, spot interest for Class II remains light. The fluid cream market is weaker this week. Supplies range from balanced to long for the steady spot demand. Most suppliers reported that they had enough cream under contract or within their own system to meet needs and did not have to go on the spot market to find cream. Spot prices are generally lower. The longer supply is pushing multiples a little lower and last week's CME butter average declined 10 cents from the previous week. Ice cream production is slowing along seasonal patterns. Some producers are cutting shifts to correspond with sales. Cream cheese output is mostly steady, but lower cream prices may spark some renewed interest. Churning activity is light to moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, $ PER LB BUTTERFAT	
F.O.B. Producing Plants: Northeast -	2.1610 - 2.3636
Delivered Equivalent Atlanta -	2.1948-2.3805 M 2.2454-2.2961
F.O.B. Producing Plants: Upper Midwest -	2.1948-2.3299
PRICES OF CONDENSED SKIM, $ PER LB SOLIDS	
F.O.B. PRODUCING PLANTS:	
Northeast- Class II - includes monthly formula prices -	.9150- .9600
Northeast- Class III - spot prices -	1.0100-1.0900

MIDWEST

Milk production patterns in the Central part of the country are holding steady to seasonally declining. Although milk production is steady to slightly lower, milk volumes appear to be sufficient for most needs. As one milk handler stated, milk demand is sluggish for mid month. Some bottled milk feature activity is scheduled which will draw additional milk volumes, but outside of that, milk supplies are in balance with demand. Some buyers are looking for additional milk for manufacturing with basically no problems in locating this supply. Prices for this additional milk range $2.00 – 3.00 net fob over class. Milk components for the fall are on the positive side. Butterfat tests are increasing along with protein levels. Ice cream production continues to wind down, typical for this time of the season. Cream markets are unsettled. Recent cash price weakness at the CME butter exchange has lowered the basing price for most cream buying and in instances, pricing multiples have declined slightly. Most cream buyers realize that this will be short lived as the cash price has again rebounded this week, which will firm the weekly average. Fall harvest and field work continue to progress quite well. Moisture has fallen throughout the region at various times during the past week, but has not greatly impacted progress.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 07 - 13	PREVIOUS YEAR
SLAUGHTER COWS	$ 48.00- 53.00	$ 43.50- 48.00
REPLACEMENT HEIFER CALVES	$410.00-650.00	$360.00-550.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCT 07 - 13	PREVIOUS YEAR
SLAUGHTER COWS	$ 49.00- 61.00	$ 49.00- 54.75

WEST

U.S. ALFALFA HAY PRODUCTION as of October 1 is estimated to be 77.4 million tons, up 1.4% from the same date in 2003. Hay output in Arizona, Nevada, and New Mexico is above last year. Output in California, Colorado, Idaho, Oregon, Utah, and Washington trails last year. These nine Western states produced 2.7% less hay in 2004 than 2003. The November 2004 Class 1 prices in CALIFORNIA range from $15.66 in the north to $15.93 in the south. The statewide average Class 1 price based on production is $15.71. The average is $0.35 lower than October 2004 and $0.55 less than November 2003. CALIFORNIA milk output is growing incrementally on a week to week basis at levels in the 4 to 7% range above last year. Fat and protein content are improving. Conditions are better for milk cows this year and there are more cows being added in the state. The milk supply is being handled in the state through normal outlets. There are some plants down for scheduled maintenance that are affecting milk movements. The impact of the fluctuating cheese prices has not been seen in milk placements into cheese plants. Cheese production is holding to projections. The fluid milk markets are steady with bottling only seeing changes when retail product is featured. Orders from schools and food service accounts are steady. More concerns are being expressed about the state's ability to handle the building milk supply over the year end holidays. ARIZONA milk production is building seasonally higher and benefits from the more comfortable weather conditions. The wet conditions over the last few weeks appeared to minimally impact milk growth. Milk movements to processing plants continue along projections. Bottlers are seeing mainly steady interest. Milk output is higher across most of NEW MEXICO with growth being tempered by continued rainy and cloudy conditions. New herds and additional cows are pushing total milk supplies upwards. Milk shipments to other regions have slowed and the milk is being put into local processing plants. CREAM prices moved lower as basing points moved lower over the last week. The daily butter prices and weekly average moved lower last week before gaining this week. The CME cash butter price closed at $1.6850 on Wednesday, October 13, down 1.5 cents from a week earlier. Cream supplies are ample for needs and moving within the region and to other regions under contract. Butter production is active to stay ahead of holiday orders. Cream is also moving to cream cheese and sour cream production. Multiples are steady in the 117 to 130 range, FOB and vary depending on class usage and basing point. Unlike the hurricanes in the Southeast, the volcano in the PACIFIC NORTHWEST has had no impact on the marketing of milk or milk production at this time. Most milk producers in the region are finishing up with their fall cropping. The corn silage harvest is almost complete and the last alfalfa and grass hay is also about done. Milk producers are going farther afield in looking for dairy quality hay supplies. Prices are firm for any that is located. Lots of grain has been booked for this winter and now producers are wondering if they locked in too early. Both corn and soybeans are pegged to set all time record harvest volumes by USDA. The estimates released on October 12 indicate a harvest of 11.6 billion bushels of corn, up 6% from the September estimate and 3.1 billion bushels of soybeans, up 10% from last month. The milk flow in the region ranges from about steady to lagging behind expectations a bit. Warm and dry conditions are the rule over the UTAH and IDAHO region. Fall field work is coming to a close under ideal harvest conditions. The problem, of course, remains the 6-7 year drought that has plagued the region. Most areas are going into the winter season with less reserve water left than in many years and prospects not looking all that good. Current milk production is advancing slowly along seasonal patterns. Some expansion plans are in the works, especially in IDAHO. Some are wondering about the supply of cows and heifers to fill any expanded facilities.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices continue unchanged on a steady market. Production is steady to lower as milk is shipped locally to cheese plants or Class I facilities. Trade of aged NDM from CCC pudding and cheese exchange programs is reduced, especially for supplies more than one year old. Resale NDM aged less than a year is directly competitive with direct manufacturer sales. Trade direct from the manufacturer is light. Supplies from the West are often more readily available to buyers than in the Central region. Interest is best on high heat for seasonal baking needs.

EAST: Prices and the market tone are generally unchanged in the East. Production levels are lighter at most butter/powder plants as surplus milk volumes remain tighter than expected. Contacts state that the "big draw" on milk from the Southeast is pulling milk away from manufacturing plants. Drying schedules are generally lighter. Producer inventories, though ample, are easing lower now that their contract sales are clearing more than is currently being made. Some producers welcome this situation as it allows them to reduce in-house stocks. Demand for current NDM remains lackluster. Traders continue to comment about spot sales they continue to lose to the lower-priced, government program NDM.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .8000 - .9400 MOSTLY: .8100 - .8500
HIGH HEAT: .9200 - 1.0300

NONFAT DRY MILK - WEST

Low/medium heat NDM prices are holding mostly steady. Mixed pricing levels are noted within the range with highest prices noted for direct exports, mid range prices trading for domestic sales, and the lowest prices moving to the support program. The influence of contracted CCC (080) powder for exporting is slowing as those contracts are nearing completion. Support purchases have slowed some this week. During the period of October 1-8, CCC purchased 5,949,144 pounds of NDM from Western producers. Sales to cheese producers remain slow. The increase in milk supplies in the region is expected to push NDM production higher through the end of the year. Due to poorer milking conditions last year, 2004 to 2003 monthly comparisons are expected to be sharply higher. Current inventory levels are moderate to heavy. High heat prices are unchanged in light spot movement. Seasonal bakery and confectionary accounts are showing increased interest and activity, although mainly on a contractual basis. Stocks are adequate for current needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .7950 - .9000 MOSTLY: .8000 - .8750
HIGH HEAT: .8400 - .9100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 8	$.8447	13,437,523	3,936,832
October 1	$.8539	13,660,635	2,009,443

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and nominal on a weak market. Production is steady for the light interest. Supplies remain heavier than desired at some locations. Producers are generally not offering supplies at a discount as reduced prices are not expected to encourage interest. However, traders suspect that with buttermilk prices continuing to trend above the NDM market, buyers are more apt to instead purchase NDM. Offerings of buttermilk from Western producers are noted in the Central region. Condensed buttermilk trade is mostly steady with some plants attempting to encourage the sale of condensed by reducing prices in order to avoid expensive drying costs.

F.O.B. CENTRAL: .9000 - 1.0100

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone remain steady. Production levels are mixed, but generally lower now that churning activity ranges from light to moderate. Producer stocks are adequate for the slow, steady contract demand. Spot interest is, at best, fair. Some LTL volumes were reported at prices slightly above current-market levels. Most truckload sales are contract shipments. Northeastern prices remain nominal and include resale loads.

F.O.B. NORTHEAST: 1.0000 - 1.0200
DELVD SOUTHEAST: 1.0100 - 1.0600

DRY BUTTERMILK - WEST

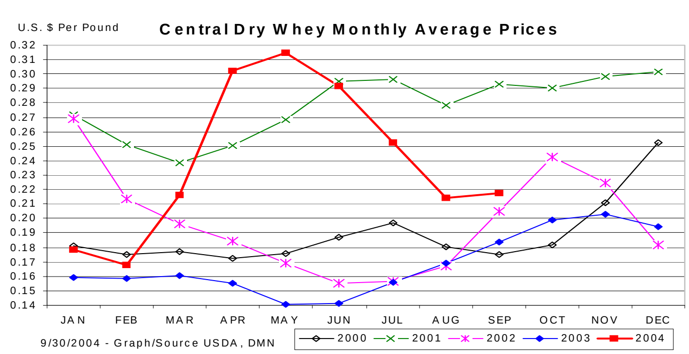
The dry buttermilk market in the West continues to trade in a tight range. Market activity remains centered around contracted sales. The spot market is lightly tested as spot demand is light and offerings are generally held to balance needs. Comments in the trade are that current market prices are too high in comparison to the nonfat dry milk prices and buyers that can change formulations have done so. Stock levels are light to moderate for the current interest.

F.O.B. WEST: 1.0200 - 1.0700 MOSTLY: 1.0300 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are unchanged to lower and nominal. The market tone is steady. Last week's decreases at the CME cash butter price prompted some producers to adjust their dry whole milk prices lower. The lower prices attracted little new demand. Production ranges from steady to lighter. Producer stocks are closely balanced. Reports indicate that imported dry whole milk continues to be offered at prices well below the bottom of the range.

F.O.B. PRODUCING PLANT: 1.2825 - 1.3800



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are mixed on a steady to firm market. While some feed buyers are reporting that supplies are available and trading at a discount, trade into domestic and export edible accounts is generally trending steady to higher. Some traders have already contracted supplies for the 2005 year. Production is mixed. At some locations, milk normally destined for NDM plants is being diverted to cheese facilities. At other locations, milk intakes into cheese vats are reduced due to good Class I interest. Most producers report that supplies are in balance.

F.O.B. CENTRAL: .2150 - .2400 MOSTLY: .2250 - .2300

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are often higher as Eastern producers adjust prices to reflect recent changes in the market. Demand is improving in more areas, but still not overly aggressive. Production levels are lighter. Surplus milk supplies are tighter in the East and cheese makers are reducing the number of shifts per week that they operate. One operation that was down during September is getting back on line, but contacts report that it is not yet back to full capacity. Producers continue to report being sold out. However, occasional spot loads are noted and sold at normal premiums. Traders and producers note that inquiries are picking up. This is a typical pattern when prices, after being low, start to increase. Buyers want to beat any new price increases.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2300 - .2600
DELVD SOUTHEAST: .2525 - .2600

DRY WHEY – WEST

Western whey prices range from steady to higher. Sales activity ranges from fair to good. Offerings are generally sufficient for any new inquiries. Inventories have become more balanced over the past few weeks at most locations. Production levels are a bit higher than manufacturers had anticipated. Export sales activity is good now, but is expected to decline at the end of the year and before the Chinese New Year festivities. This is the normal pattern. Domestic sales are good with some noting that their export sales are limiting volumes available for local sales. The market seems to have a cautiously firm undertone.

NONHYGROSCOPIC: .2150 - .2650 MOSTLY: .2200 - .2350

ANIMAL FEED WHEY – CENTRAL

Prices are nominal and trending higher with the Extra Grade market. Supplies are limited for the good interest. Supplies of permeate are reduced, encouraging buyer inquiries. Veal and early weaned pig markets are trending steady to firm.

F.O.B. CENTRAL:
MILK REPLACER: .1850 - .2150

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a steady market. Comments are mixed with producers reporting prices at the average to higher while buyers state that trades are being made at a discount. Canadian 34% WPC is being traded into the US at competitive prices. Canadian 34% WPC is also competitive with US supplies into Mexico. Demand is generally improved with interest noted from both domestic and export markets. Feed interest is also renewed as the demand for calf milk replacers increases and buyer stocks, that were heavy at the start of summer, are depleted. Imported MPC is available to some feed operations as a substitute to 34% WPC. Off grade demand is good with supplies often short of buyer interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .5700 - .6400 MOSTLY: .5975 - .6225

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Some firms have yet to finalize contracts for the fourth quarter in Asia. Discussions for 2005 contracts are commencing at some locations. Supplies are mixed with some plants reporting that stocks are allocated whereas others are holding heavier than desired inventories and offering at a discount. Buyers report that some producers are encouraging them to "make a bid." Demand is light as buyers are hesitant to purchase additional loads until the market settles. Production is generally steady yet higher than levels last year. Feed grade lactose is available and trading near the lower end of the range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1600 - .2400 MOSTLY: .1800 - .2000

CASEIN – NATIONAL

Casein markets and prices remain firm. Production in Oceania is occurring, although overall milk output in the region is lagging last year, thus casein output could be impacted. European milk production is nearing seasonal low levels and casein production is also greatly reduced. Some European producers continue to try to secure additional late season milk volumes, but competition is aggressive for these supplies. Domestic buyers are trying to stretch their supplies as far as they can, but in most instances, are short of desired supplies. Results of invitation #030 for the sales of approximately 8 million pounds of government owned NDM for the production of casein/casinate were not available at the time of this report.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.7500 - 3.0000
ACID:	2.8000 - 3.0000

EVAPORATED MILK – NATIONAL

Prices and the market tone are unchanged. Production levels range from steady to a little lighter. Surplus milk supplies, particularly in the Eastern half of the country, are tighter. Producers continue to make additional product, as milk is available, to meet the seasonally improving demand. Producer stocks are moderate. Retailers are pulling more loads for anticipated holiday needs, but there has been and is good demand for evaporated milk in Florida and other states that were affected by the recent hurricanes. Trucking continues to be a major issue in getting loads out of producers' warehouses and to the buyers' warehouses.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES $22.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	09/29	09/30	10/01	10/04	10/05	10/06	10/07	10/08	10/11	10/12
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
SEP 04	14.70 (5551) 2	14.71 (5336) 0	14.72							
OCT 04	14.25 (4101) 209	14.23 (4072) 635	13.95 (4640) 933	13.95 (4598) 159	14.13 (4616) 277	13.95 (4692) 346	13.77 (4531) 204	13.86 (4433) 123	13.92 (4408) 123	14.00 (4417) 70
NOV 04	13.29 (3000) 203	13.17 (3160) 343	12.94 (3417) 453	12.86 (3420) 84	12.86 (3422) 199	12.61 (3432) 207	12.32 (3373) 432	12.57 (3373) 79	12.65 (3376) 172	12.87 (3376) 499
DEC 04	12.66 (2398) 116	12.49 (2425) 59	12.30 (2632) 435	12.20 (2645) 50	12.20 (2828) 278	12.06 (2835) 201	11.90 (2650) 288	12.20 (2628) 63	12.25 (2589) 70	12.44 (2577) 110
JAN 05	12.20 (1259) 53	12.10 (1281) 45	12.00 (1305) 42	12.03 (1304) 2	12.05 (1365) 90	11.95 (1400) 58	11.90 (1436) 45	12.04 (1459) 68	12.02 (1490) 72	12.18 (1615) 225
FEB 05	12.10 (1282) 26	12.05 (1303) 27	12.00 (1360) 138	12.10 (1361) 7	12.10 (1359) 22	12.07 (1372) 28	11.98 (1386) 22	11.95 (1435) 69	11.90 (1483) 83	12.01 (1557) 117
MAR 05	12.05 (1381) 9	12.05 (1443) 74	12.05 (1550) 129	12.10 (1550) 1	12.10 (1550) 15	12.07 (1557) 9	12.00 (1558) 12	12.00 (1614) 90	12.00 (1654) 58	12.08 (1716) 102
APR 05	12.05 (951) 11	12.05 (970) 24	12.00 (970) 20	12.05 (970) 5	12.10 (970) 17	12.08 (976) 7	12.03 (976) 9	12.03 (1004) 78	11.98 (1041) 66	12.05 (1053) 46
MAY 05	12.05 (793) 0	12.05 (812) 30	12.00 (812) 13	12.05 (812) 0	12.05 (812) 13	12.05 (815) 10	12.00 (823) 18	12.00 (876) 68	12.01 (911) 69	12.07 (913) 63
JUN 05	12.45 (614) 1	12.45 (618) 5	12.35 (628) 11	12.35 (628) 0	12.35 (639) 14	12.30 (657) 36	12.28 (661) 6	12.28 (689) 53	12.24 (725) 56	12.35 (744) 37
JUL 05	12.78 (453) 2	12.75 (499) 57	12.75 (501) 4	12.75 (501) 1	12.70 (503) 6	12.75 (514) 12	12.70 (514) 4	12.70 (537) 55	12.65 (617) 88	12.76 (675) 78
AUG 05	13.15 (495) 1	13.15 (540) 48	13.13 (538) 12	13.13 (539) 2	13.10 (540) 2	13.10 (551) 13	13.10 (553) 3	13.10 (596) 55	13.10 (634) 52	13.20 (719) 122
SEP 05	13.38 (474) 1	13.38 (526) 58	13.35 (529) 11	13.38 (530) 1	13.36 (531) 2	13.36 (541) 12	13.31 (541) 4	13.30 (569) 50	13.30 (609) 50	13.40 (634) 96
OCT 05	12.75 (304) 0	12.75 (313) 9	12.70 (317) 18	12.75 (317) 0	12.75 (319) 2	12.80 (323) 7	12.75 (322) 3	12.75 (344) 30	12.72 (359) 37	12.80 (411) 87
NOV 05	12.15 (243) 1	12.15 (247) 11	12.12 (247) 7	12.12 (247) 0	12.12 (248) 2	12.15 (253) 8	12.12 (252) 4	12.12 (268) 24	12.11 (289) 35	12.11 (314) 43
DEC 05	12.05 (261) 0	12.05 (279) 27	12.04 (280) 1	12.04 (280) 0	12.04 (280) 4	12.05 (285) 7	12.00 (284) 5	12.00 (296) 22	12.00 (310) 34	12.00 (329) 30
JAN 06	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0	11.90 (1) 0
FEB 06	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0
MAR 06	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0	11.80 (2) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
SEP 04	12.90 (87) 0	12.90 (87) 0	13.00							
OCT 04	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0	12.50 (21) 0
NOV 04	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0	12.15 (64) 0
JAN 05	11.79 (4) 0	11.79 (9) 5	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0
FEB 05	11.79 (4) 0	11.79 (9) 5	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0	11.75 (9) 0
MAR 05	11.79 (2) 0	11.79 (7) 5	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0
APR 05	11.79 (2) 0	11.79 (7) 5	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0
MAY 05	11.71 (5) 0	11.71 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0
JUN 05	11.71 (5) 0	11.71 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0
SEP 05	11.73 (1) 0	11.73 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0
CME - BUTTER FUTURES -- Cents per pound										
OCT 04	178.00 (141) 16	178.25 (110) 33	173.25 (107) 7	170.00 (101) 3	167.00 (92) 19	165.50 (86) 6	160.00 (80) 4	160.00 (80) 0	163.00 (76) 14	173.00 (66) 16
DEC 04	159.00 (81) 0	159.00 (82) 1	159.00 (84) 5	157.25 (85) 2	156.50 (86) 4	151.50 (85) 8	147.00 (86) 1	150.00 (87) 2	151.00 (88) 6	156.00 (88) 6
MAR 05	154.00 (58) 0	154.00 (58) 0	153.00 (58) 0	151.00 (58) 0	150.00 (58) 0	148.00 (49) 13	146.00 (49) 0	146.00 (50) 1	146.00 (52) 2	151.00 (53) 1
MAY 05	152.00 (45) 0	152.00 (45) 0	150.00 (46) 1	149.00 (46) 0	149.00 (47) 1	148.00 (59) 12	147.00 (59) 0	147.00 (60) 1	147.00 (59) 6	152.00 (59) 0
JUL 05	153.00 (15) 0	153.00 (15) 0	151.00 (16) 1	151.00 (16) 0	150.00 (19) 3	149.00 (21) 2	147.00 (22) 1	147.00 (23) 1	147.00 (27) 6	152.00 (27) 0
SEP 05	154.00 (3) 0	154.00 (3) 0	152.00 (4) 1	152.00 (4) 0	151.50 (6) 3	150.00 (7) 1	150.00 (7) 0	150.00 (9) 2	149.00 (9) 0	154.00 (9) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 4 - 15, 2004

Prices are U.S. $/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: Milk production in Western Europe is nearing seasonal low levels. Although the seasonal bottom is still about a month away, overall milk production continues to lag last year, but the gap between the two years continues to narrow. Through August, milk production in EU 15 countries was 0.6% behind last year. Buying interest continues to center around local or internal needs. International buyer inquiries are limited and are not putting any pressure on offerings. Traders and handlers feel that Russian buyer interest will once again be occurring for the upcoming winter, or at least for the last few months of 2004, prior to new importing standards which become effective in 2005. Stocks of manufactured dairy products are available, although many traders and handlers indicate that stocks are not heavy. Some traders and handlers feel that Western European stocks are in better supply than Eastern European offerings. Skim milk powder continues to be sold back out of intervention. At the last Management Committee meeting a few weeks ago, about 30,000 metric tons of powder was sold. Prior to this sale, intervention holdings were about 108,000 metric tons. Thus with this sale, total stocks have been reduced by one quarter. At this rate, traders and handlers feel intervention availability will quickly disappear. Butter also continues to be sold back, but not as aggressively as powder.

BUTTER/BUTTEROIL: Butter markets are steady, with prices generally unchanged, although a slightly lower price was reported. Stocks of butter are sufficient to fill domestic or internal demand with minimal volumes available for spot or international buyer interest. Some butter continues to be sold back to the trade from intervention stocks, but this sales activity in not aggressive. Many European traders anticipate Russian buyer interest to resume for the upcoming winter months, but do not know to what extent the demand will be or if they will have sufficient stock to cover the full need.

82% BUTTERFAT:	1,975 - 2,160
99% BUTTERFAT:	2,100 - 2,400

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are generally unchanged. Stocks of powder are often lighter than desired for this time of the season. Traders and handlers continue to reach to intervention offerings for additional supplies. At the most recent Management Committee meeting a few weeks ago, about 30,000 MT of powder was sold out of intervention stocks. After this sale, there are about 88,000 MT of intervention powder left. Traders and handlers indicate that at this rate, intervention availability will quickly disappear.

1.25% BUTTERFAT:	2,150 - 2,300

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices. Stocks are sufficient for internal/ domestic needs with additional supplies available for spot or new buyer interest. Traders and handlers report that buyer interest is slow from international buyers. Milk production is winding down in Eastern and Western Europe, thus whole milk powder production is quite limited.

26% BUTTERFAT:	2,250 - 2,400

SWEET WHEY POWDER: Whey powder markets are steady at unchanged prices. Demand is not overly aggressive and basically centers around internal or domestic needs. International buyer interest is slow at this point. Stocks of powder are available as late season cheese production continues.

NONHYGROSCOPIC:	500 - 550

EASTERN EUROPEAN OVERVIEW: Milk output in Eastern Europe continues to edge lower, although fluctuations higher and lower are being reported in various countries. Up to this point, milk volumes have not been as heavy as last year, thus manufactured dairy product stocks are also not as abundant as desired. Traders and handlers feel that new EU member countries are not seeing as much trading activity as to prior to joining the EU 15. Outside of these new member countries, reports indicate that sales activity, although light, is somewhat more active.

OCEANIA

OCEANIA OVERVIEW: Milk production in Australia and New Zealand continues to build toward seasonal peak levels, although milk volumes are trailing last year at this time. In New Zealand, peak production is still about two to three weeks away. Currently, milk output is lower on the North Island while stronger on the South Island when compared to last season. Lighter than anticipated milk volumes are causing manufacturers and handlers some concern with their supply commitments. Basically, supplies have been heavily committed for the first half of the season and many manufacturers were hopeful that they would be able to possibly build some cushion of supply to carry into the last half of the production year. Many now feel that this will not be the situation. Producers and handlers were looking forward to this production season with optimism but now question if supplies may be even tighter than last season. In Australia, production continues to seasonally increase, but also lagging last year. For the first two months of the production year (July and August), milk output is trailing last year by 0.4%. Although August recorded a 0.2% increase over last year, cumulative totals are lower. Lighter milk volumes in Australia are impacting manufactured dairy product production schedules. Butter appears to be the hardest hit product with production down 13.8% from last season for the first two months. On a cumulative basis for July and August when compared to the same two months in 2003: butteroil output is +19.5%; skim milk powder -2.2%; whole milk powder -6.5%; and cheese production -8.7%. Most trading activity in Oceania continues to center around regular and ongoing customer needs. Most product has been committed for this need with very little available for spot buyer interest. Prices for Oceania manufactured dairy products remain firm with slight adjustments noted.

BUTTER: Oceania butter markets are firm with prices unchanged to slightly higher. Milk production in the region is trailing last season, thus butter production is often lighter than desired. In Australia, butter production for July and August 2004 is trailing last season by 13.8%. Stocks of butter are in very close balance with demand. In most instances, production for the first half of the season has been fully committed with many traders and handlers already looking at second half needs. At this point, there is often no butter for spot inquiries.

82% BUTTERFAT:	1,700 - 2,200

CHEDDAR CHEESE: Cheese production in Oceania is in full swing as milk volumes continue to increase seasonally. Up to this point, overall cheese production has not been as brisk as projected due to lower than anticipated milk production trends. Stocks of cheese are sufficient for committed needs, although additional volumes are not as prevalent as in previous years. Many traders and handlers are busy negotiating second half cheese contracts with regular and ongoing customers.

39% MAXIMUM MOISTURE:	2,650 - 2,850

SKIM MILK POWDER (SMP): Skim milk powder markets are firm with prices unchanged to higher. Milk production in Oceania during the current 2004 – 2005 year is trailing last year, thus powder production is often lighter than desired. A large percentage of production during the first half of the season has been committed to regular and ongoing customers with minimal volumes available for new or spot buyer interest. Often, traders and handlers stated that it would be the second half of the year before they would have an indication on possible additional supplies. Now that peak production is near in Australia and New Zealand, the supply situation for the second half of the year is still very questionable.

1.25% BUTTERFAT:	2,100 - 2,250

WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to firm. Prices are unchanged to slightly higher. Stocks of powder are reported to remain in close balance with demand. Most trading activity continues to center around regular and ongoing customers. No new buyer interest is being reported due to limited supplies available for this buyer interest.

26% BUTTERFAT:	2,000 - 2,250

Exchange rates for selected foreign currencies: October 11, 2004

.7966 Canadian Dollar	.0218 Indian Rupee	.2867 Polish Zloty	.0091 Japanese Yen
.3369 Argentina Peso	.6820 New Zealand Dollar		1.2382 Euro
.0889 Mexican Peso	.7334 Australian Dollar		

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0889)= 11.2486. That is 1 US Dollar equals 11.2486 Mexican Pesos.Source: "Wall Street Journal"

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecast for 2003/04 is raised due to a slightly larger cow herd and increased milk per cow. The forecast for 2004/05 is increased because the cow herd is expected to be larger than forecast last month. Milk per cow is unchanged from last month as recent gains in growth are expected to be constrained by continued limitations in rBST supplies during 2004/05. Milk price forecasts for 2003/04 are little changed from last month. Milk price forecasts for 2004/05 are slightly higher than last month as demand for milkfat is expected to remain relatively strong. Cheese and butter prices are expected to be higher, resulting in increased forecasts for Class III and Class IV milk compared with last month. The all milk price is raised to $13.35 to $14.15 per cwt. for 2004/05.

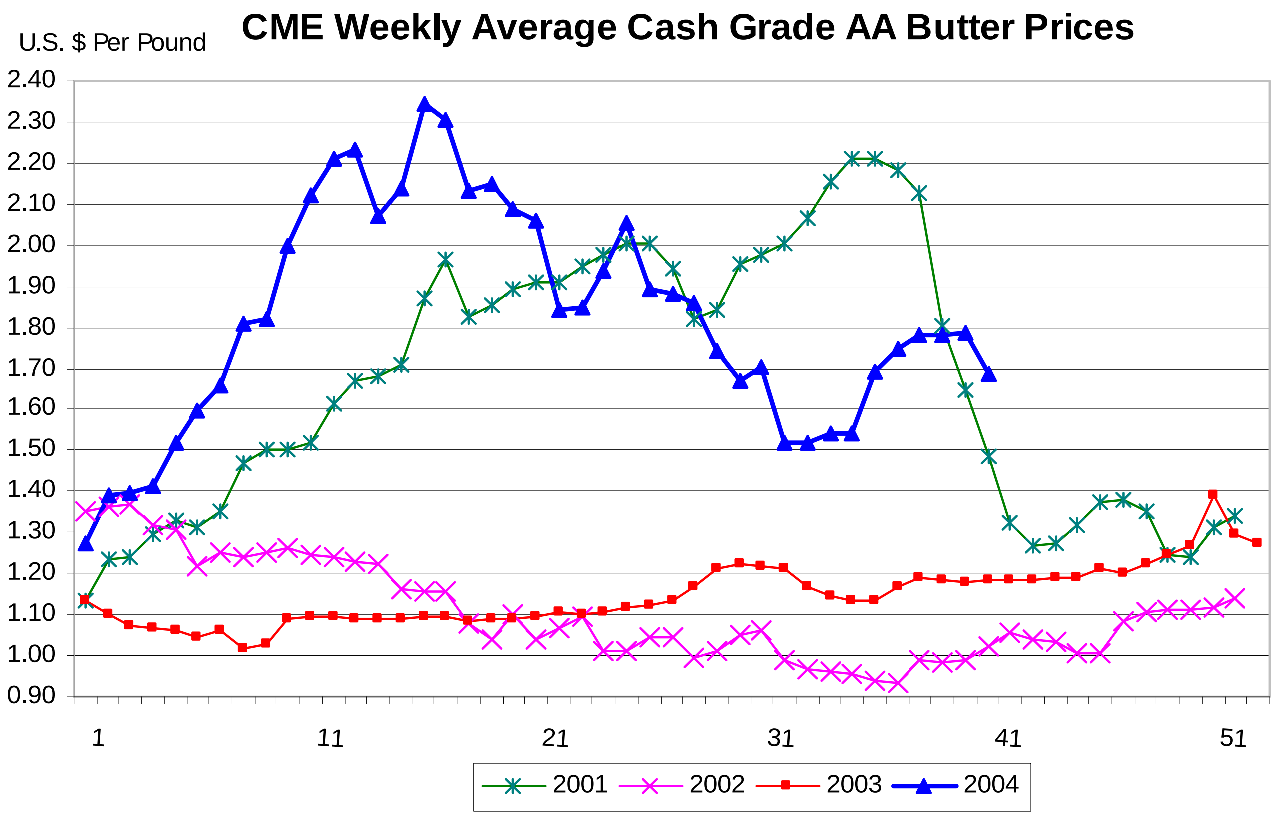
Item	2002/03 1/	2003/04 Projection 1/		2004/05 Projection 1/	
		September	October	September	October
SUPPLY			BILLION POUNDS		
BEGINNING COMMERCIAL STOCKS 2/	11.2	11.0	11.0	9.3	9.5
PRODUCTION	170.4	169.9	170.1	172.6	173.3
FARM USE	1.1	1.1	1.1	1.0	1.0
MARKETINGS	169.3	168.8	169.0	171.6	172.3
IMPORTS 2/	5.0	5.7	5.7	5.1	5.1
TOTAL COMMERCIAL SUPPLY 2/	185.5	185.5	185.7	186.0	186.9
USE					
COMMERCIAL USE 2/ 3/	173.3	176.3	176.3	177.5	177.9
ENDING COMMERCIAL STOCKS 2/	11.0	9.3	9.5	8.4	8.9
CCC NET REMOVALS:					
MILKFAT BASIS 4/	1.2	0.0	0.0	0.1	0.1
SKIM SOLIDS BASIS 4/	8.8	2.3	2.2	4.1	3.9
			DOLLARS PER CWT.		
MILK PRICES 5/					
CLASS III 6/	10.63	14.85-14.95	14.94	11.90-12.70	12.00-12.80
CLASS IV 6/	10.05	12.35-12.55	12.48	11.15-12.15	11.30-12.30
ALL MILK 7/	11.91	15.55-15.65	15.61	13.25-14.05	13.35-14.15
			MILLION POUNDS		
CCC PRODUCT NET REMOVALS 4/					
BUTTER	29	-6	-7	0	0
CHEESE	47	7	7	6	6
NONFAT DRY MILK	719	190	185	350	330
DRY WHOLE MILK	0	0	0	0	0

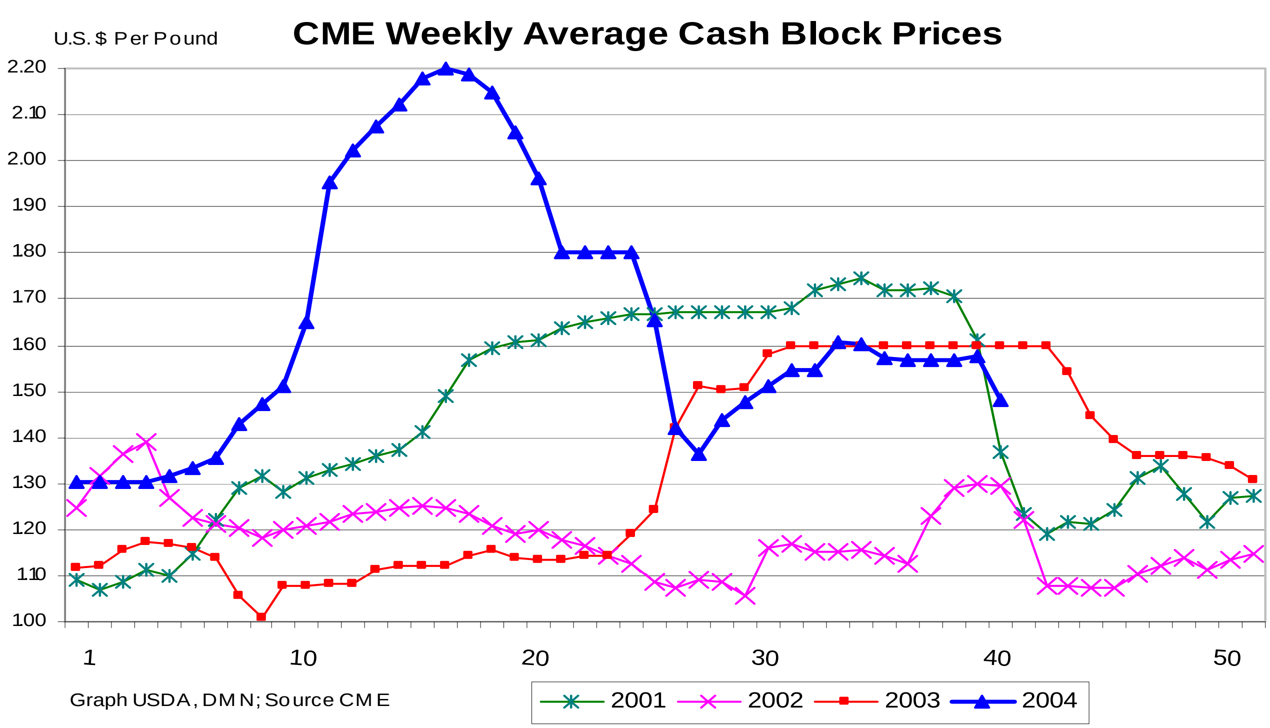
	QUARTERLY 8/			ANNUAL 8/	
	2004 IV	2005 I	2005 II	2004	2005
			BILLION POUNDS		
MILK PRODUCTION	42.3	43.5	44.8	170.9	173.6
			DOLLARS PER CWT.		
ALL MILK PRICE 5/ 7/	14.85-15.25	13.45-14.15	12.35-13.35	15.70-15.80	13.20-14.10
CLASS III PRICE 5/ 6/	13.00-13.40	11.85-12.55	11.40-12.40	14.90-15.00	11.90-12.80
CLASS IV PRICE 5/ 6/	12.25-12.75	11.05-11.95	10.75-11.95	12.95-13.15	11.25-12.35

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order minimum prices. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Paul Kiendl, FAS; James Miller, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-415, World Agricultural Outlook Board, USDA, October 12, 2004.


CME Weekly Average Cash Grade AA Butter Prices
U.S. $ Per Pound
2.40
2.30
2.20
2.10
2.00
1.90
1.80
1.70
1.60
1.50
1.40
1.30
1.20
1.10
1.00
0.90
1
11
21
31
41
51
2001
2002
2003
2004


CME Weekly Average Cash Block Prices
U.S. $ Per Pound
2.20
2.10
2.00
190
180
170
160
150
140
130
120
110
100
1
10
20
30
40
50
Graph USDA, DMN; Source CME
2001
2002
2003
2004

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JULY 2004

In July 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged $16.32 per cwt., $1.94 less than the revised figure for the previous month. The component tests of producer milk in July 2004 were: butterfat, 3.56%; protein, 2.95%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, and ranged from $20.47 in Florida to $14.46 in New Mexico. In July 2003, the Federal milk order all-area average mailbox price was $11.74, $4.58 lower.

Reporting Area	Mailbox Milk Price 2/		
	July 2003	June 2004	July 2004
	Dollars per hundredweight		
Northeast Federal Milk Order	11.63	19.08	17.01
Appalachian States 3/	11.90	19.31	18.14
Southeast States 4/	12.72	19.91	19.04
Southern Missouri 5/	11.30	18.61	17.51
Florida	14.42	21.69	20.47
Ohio	11.47	18.26	16.36
Indiana	---	18.68	16.94
Michigan	11.29	17.85	16.09
Wisconsin	12.26	18.04	16.11
Minnesota	12.61	17.85*	15.71
Iowa	12.03	17.56	15.76
Illinois	11.61	18.28	16.00
Corn Belt States 6/	11.22	16.81	15.02
Western Texas 7/	11.48	17.69	15.63
New Mexico	10.57	16.47	14.46
Northwest States 8/	10.56	17.75	14.93
All Federal Order Areas 9/	11.74	18.26*	16.32
California 10/	11.53	16.38	NA

* Revised.
NA=Not Available.
1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the $0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. Figure for the previous year has been revised to exclude prices for Idaho and Utah which no longer are being reported. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF OCTOBER 11 – 15, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 10/08/04	SAME PERIOD LAST YEAR
BUTTER						N	
Bulk	-0-	-0-	-0-	-0-	-0-	O	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	T	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-		-0-
CHEESE						A	
Block	-0-	-0-	-0-	-0-	-0-	V	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	A	-0-
Process	-0-	-0-	-0-	-0-	-0-	I	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	L	-0-
NONFAT DRY MILK						A	
Nonfort	4,751,661#	206,603	4,545,058	11,833,300	15,124,378	B	1,137,820,000
Fortified	-0-	-0-	-0-	-0-	-119,048	L	46,931,000
TOTAL	4,751,661	206,603	4,545,058	11,833,300	15,005,330	E	1,180,079,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 107,816,643 with 1,197,535 pounds since 9/30/04. $ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF OCTOBER 1 - 15, 2004 =	1.0	52.9	COMPARABLE PERIOD IN 2003 =	0.9	48.3
CUMULATIVE SINCE OCTOBER 1, 2004 =	2.6	137.7	CUMULATIVE SAME PERIOD LAST YEAR =	3.3	174.7
CUMULATIVE JANUARY 1 - OCTOBER 15, 2004 =	55.8	3,002.9	COMPARABLE CALENDAR YEAR 2003 =	695.4	6,587.4

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF OCTOBER 11 - 15, 2004 (POUNDS)

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	4,545,058	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	999,996	-0-	8.4	-0-
WEST	-0-	-0-	-0-	-0-	10,494,202	15,005,330	88.7	100.0
EAST	-0-	-0-	-0-	-0-	339,102	-0-	2.9	-0-
TOTAL	-0-	-0-	-0-	-0-	11,833,300	15,005,330	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **67,347,152 pounds.**

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - $9.90 per cwt.

BUTTER Bulk $1.0500 per pound; 1# Prints $1.0850
CHEESE 40 & 60# Blocks $1.1314 per pound; 500# Barrels $1.1014; Process American 5# $1.1889; Process Am. 2# $1.2289
NONFAT DRY MILK Nonfortified $.8000 per pound; Fortified $.8100; Instant $0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 09/18/04 & Comparable Week 2003

											U.S. TOTAL		% DAIRY OF ALL	
Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2004-Dairy	0.0	0.8	7.1	2.4	16.4	3.2	0.6	1.1	11.9	2.6	46.0	1,702.8	46.7	47.2
2003-Dairy	0.2	0.7	7.5	5.5	22.5	2.8	0.7	1.1	14.5	3.3	58.6	2,045.3	47.8	47.5
2004-All cows	0.0	0.8	8.7	11.9	27.8	14.9	11.9	2.8	14.0	5.6	98.4	3,610.4		
2003-All cows	0.2	0.9	9.8	13.2	34.2	18.1	19.0	3.0	17.0	7.1	122.5	4,302.3		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES,(3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78		
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66			
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72			
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00			

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmos/mib/cls_prod_cmp_pr.htm